No. 823

Office Supreme Court,
FILED
APR 17 192
WM. R. STANS

In the Supreme Court of the United States.

OCTOBER TERM, 1925

YU CONG ENG and CO LIAM for themselves and for the benefit of all other persons similarly situated and affected,

Petitioners,

against

W. TRINIDAD, as Collector of Internal Revenue, EULOGIO P. REVELLA, as Fiscal for the City of Manila, and PEDRO CONCEPCION, as Judge of the Court of First Instance of Manila.

Respondents.

APPENDIX TO RESPONDENTS' BRIEF

BUREAU OF INTERNAL REVENUE OF THE PHILIPPINE ISLANDS.

OFFICE OF THE COLLECTOR.

CIRCULAR NO. 20.

MANILA, March 23, 1914.

To all internal-revenue officers and others concerned:

SUBJECT: *Regulations relating to the income tax imposed by section 2 of the Act of October 3, 1913, on corporations, joint-stock companies or associations, and insurance companies.*[1]

* * * * * * * *

Art. 182. No particular system of bookkeeping or accounting will be required by the Bureau. However, the business transacted by corporations must be so recorded that each and every item set forth in the return of annual net income may be readily verified by an examination of the books of account.

Art. 183. The books of a corporation are assumed to reflect the facts as to its earnings, income, etc. Hence they will be taken as the best guide in determining the net income upon which the tax imposed by this act is calculated. Except as the same may be modified by the provisions of the law, wherein certain deductions are limited, the net income disclosed by the books and verified by the annual balance sheet, or the annual report to stockholders, should be the same as that returned for taxation.

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JAMES J. RAFFERTY,
Collector of Internal Revenue.

Approved:
VICTORINO MAPA,
Secretary of Finance and Justice.

[1]Article numbers correspond to those appearing in Regulations No. 33 of United States Commissioner of Internal Revenue.

BIR 17314

THE GOVERNMENT OF THE PHILIPPINE ISLANDS.

DEPARTMENT OF FINANCE AND JUSTICE.

BUREAU OF INTERNAL REVENUE.

MANILA.

October 8, 1914.

SUBJECT: *Records of sales and receipts to be kept by schedule C taxpayers in English or Spanish.*

CIRCULAR LETTER NO. 467.

To all internal-revenue officers and others concerned:

1. *Promulgation.*—By authority of section 5 and section 6, sub-section (j) of Act No. 2339, the following regulations, relative to the records to be kept by merchants, manufacturers, printers, publishers, contractors, warehousemen, keepers of hotels and restaurants, common carriers, and all other persons subject to the percentage tax under the provisions of sections 34 to 44 of Act No. 2339, are published for the information and guidance of all concerned.

2. *Records of merchants and manufacturers.*—Every merchant and manufacturer subject to the tax imposed by section 40 of Act No. 2339 shall keep a day book, in which he shall enter in detail in *English or Spanish* every day each of his sales that amount to p50.00 or more, and the daily aggregate amount of sales that are less than p50.00 each. Every merchant and manufacturer shall before using said book serially number its pages in a permanent and legible manner, and shall present it to an internal-revenue agent or officer for approval. Cash sales and credit sales shall be entered separately in this book within the period of twenty-four hours following the date on which same are made. If on any date no sales are made, then that fact shall be noted in the book

within the said twenty-four hours under the corresponding date. The day book prescribed in this paragraph shall be kept substantially as shown in the model below:

January 1, 1915.

Article	Quantity	Amt. Cash	Amt. Credit	Name	Address
Rice	100 Cavans	p5,000.00	p1,500.00	Occidental Rice Co.,	Manila
Tobacco	50 quintaels	300.00		La Bolivia	Illilo
Flour	200 sacks		800.00	El Toro,	Cebu
Petty Sales		400.00	700.00		
Total		p5,700.00	p3,000.00		

January 2, 1915.

3. *Printers, publishers, contractors, common carriers, etc.*—Each printer, publisher, contractor, warehouseman, proprietor of a dockyard, keeper of a hotel or restaurant, keeper of a livery stable or garage, transportation contractor and common carrier by land or water, and so forth, subject to the tax imposed by sections 42, 43 and 44 of Act No. 2339, shall keep a day book in which he shall enter in detail, *in English or Spanish*, each amount of money received in the conduct of his business. Before being used for said purpose, the pages of the book must be numbered serially in a permanent and legible manner, and the book itself presented to an internal-revenue agent or officer for approval. In this book the cash receipts of the owner thereof shall be entered under the corresponding date within the twenty-four hours next following the date the money was received. If no money is received on any day, then that fact shall be noted in the book within the said twenty-four hours under the corresponding date.

4. *Exceptions to above regulations.*—Any person or firm subject to a percentage tax, who keeps regular commercial books of account *in English or Spanish* containing all the data required to be entered in the books herein described, is hereby exempted from the requirements contained in paragraphs 2 and 3 hereof.

5. *Approval of book.*—The approval by the internal-revenue agent or officer of any book to be used for keeping the record of sales or receipts as required in paragraphs 2 and 3 hereof, shall be

evidenced by his indorsement on the inner side of the binding thereof in the following form:

"Approved for the purposes of Bureau of Internal Revenue Circular Letter No. 467.

.....

.....191..... Internal-Revenue Agent or Officer."

6. *Books open to inspection of internal-revenue officers.*—All the record books herein described, including regular commercial books of account, shall be kept at all times in the place of business of the taxpayer, subject to inspection by any internal-revenue officer or agent, and upon demand shall immediately be produced and submitted to such inspection. All entries in said book shall be made in ink in a neat and legible manner, and all columns shall be correctly added at the close of each month and the totals entered at the foot of the respective columns.

7. *Penalty for violations.*—Any violation of or failure to comply with any of the provisions contained in this circular letter will subject the guilty person to prosecution under the provisions of section 185 of Act. No. 2339, which provides punishment by a fine of not more than p300, or by imprisonment for not more than six months, or both, in the discretion of the court.

8. *Repealing clause.*—Circular Letter No. 298 and all other regulations and instructions in conflict herewith, are hereby repealed. Internal-revenue officers will give wide publicity to the provisions of this circular letter at the earliest practicable date.

9. *Date of taking effect.*—These regulations shall be in full force and effect on and after January 1, 1915.

JAMES J. RAFFERTY,
Collector of Internal Revenue.

Approved:
VICTORINO MAPA,
Secretary of Finance and Justice.

BIR 19864

THE GOVERNMENT OF THE PHILIPPINE ISLANDS.

BUREAU OF INTERNAL REVENUE.

MANILA.

January 11, 1915.

SUBJECT: *Regulations relative to the tax on output of mines.*

CIRCULAR LETTER NO. 476.

To all internal-revenue officers and others concerned:

The following regulations relative to the collection of the ad valorem tax on the output of mines are hereby published for the information and guidance of internal-revenue officers and others concerned:

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Sec. 5. *Records to be kept by persons subject to the tax on output of mines.*—Every person or firm subject to the payment of the ad valorem tax on the value of the output of mines shall keep a record in which he shall enter in detail, in English or Spanish, all sales of mining products made by him, the amount of tax paid, the amount of transportation or other charges paid by him, the quantity and kind of output, value of same, and such other information as may be necessary to ascertain the value of the mining products at the mine. Every such person shall, before using said book, serially number its pages in a permanent and legible manner, and shall present it to an internal-revenue agent or officer for approval. All transactions shall be entered within twenty-four hours after same are made. *Provided*, That any person or firm subject to the tax on the output of mines who keeps regular commercial books of account, in English or Spanish, containing all of the data required to be entered in the books above described, is hereby exempted from keeping the above prescribed record.

The record books herein prescribed, including regular commercial books of account, shall be kept at all times in the place of business of the taxpayer, subject to inspection by any internal-revenue officer or agent, and upon demand shall immediately be produced and submitted to such inspection. All entries in said book shall be made in ink or indelible pencil in a neat and legible manner, and all columns shall be correctly added at the end of each month and the totals entered at the foot of the respective volumns.

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JAMES J. RAFFERTY,
Collector of Internal Revenue.

Approved:
VICTORINO MAPA,
Secretary of Finance and Justice.

BIR 19918

THE GOVERNMENT OF THE PHILIPPINE ISLANDS.

BUREAU OF INTERNAL REVENUE.

MANILA.

January 13, 1915.

SUBJECT: 1. *Tax on motor spirits and mineral oils;* 2. *Retail leaf tobacco dealers;* 3. *Fixed and percentage taxes under Schedule "C";* 4. *Butchers and bakers no longer exempt;* 5. *Imported tobacco products;* 6. *Error in Spanish translation;* 7. *Retail tuba dealers;* 8. *Daily sales books.*

CIRCULAR LETTER NO. 477.

To all internal-revenue officers and others concerned:

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2. *Retail leaf tobacco dealers.*—Payment of the tax imposed by paragraph (m) of section 45 of Act No. 2339, as amended,

on retail leaf tobacco dealers will be indicated by the issuance of a B-14 license. The payment of this tax permits the sale of leaf tobacco at retail only at a fixed stand and at the place shown in the license. It does not cover the transactions of peddlers. If a man desires to sell leaf tobacco in more than one place he must pay the tax for each such place.

Before issuing a B-14 license to any person desiring to sell leaf tobacco at retail, the deputy provincial treasurer shall require the applicant to provide himself with a balance scale graduated in grams and capable of weighing up to one kilo, and a book in which the following data must be entered:

(1) On the debit side must appear the date and weight in kilos of leaf tobacco purchased, and the name and address of the person from whom purchased.

(2) On the credit side entries must be made showing the date of each sale, the name and address of the buyer, and the weight in grams of the leaf tobacco sold. One kilo of leaf tobacco, which is the estimated quantity that an ordinary family will consume during one month, is the maximum amount that a retail dealer may sell at any one time to any one consumer and preserve his status as a retail dealer.

* * * * * * * *

8. *Daily sales book*—Paragraph 2 of Circular Letter No. 467 has been misinterpreted by a number of internal-revenue officers to mean that all merchants and manufacturers must keep a book in the form indicated by the model in said paragraph 2. While it is required that every merchant and manufacturer subject to the Schedule "C" tax shall enter in detail every day each of his sales that amounts to p50 or more and the daily aggregate amount of sales that are less than p50, if the merchant never makes a sale of p50 he has only to enter the daily aggregate amount of his sales, and in such a case the daily sales book formerly used is sufficient.

JAMES J. RAFFERTY,
Collector of Internal Revenue.

BIR 22227

THE GOVERNMENT OF THE PHILIPPINE ISLANDS.

BUREAU OF INTERNAL REVENUE.

MANILA.

February 23, 1915.

SUBJECT: *Regulations to govern retail leaf tobacco dealers engaging in business on the Visaya Islands, Mindoro and Mindanan.*

CIRCULAR LETTER NO. 493.

To all internal-revenue officers and others concerned:

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6. *Records and equipment of retail leaf tobacco dealers.*—No records need be kept by holders of B-14 licenses or L-5 permits nor are they required to be provided with scales, unless they choose to sell by weight.

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V. CONCEPCION,
Acting Collector of Internal Revenue.

Approved:

VICTORINO MAPA,
Secretary of Finance and Justice.

BIR 25325

THE GOVERNMENT OF THE PHILIPPINE ISLANDS.

BUREAU OF INTERNAL REVENUE.

MANILA.

August 19, 1915.

SUBJECT: *Additional provisions to Circular Letter No. 467 as amended by Circular No. 488.*

CIRCULAR LETTER NO. 509.

To all internal-revenue officers and others concerned:

Paragraph 4 of Circular Letter No. 467, as amended by Circular Letter No. 488, is further amended by adding the following provisions:

(c) Any merchant subject to the percentage tax under sections 40, 42 and 43 may, upon application to the Collector of Internal Revenue, through the Supervising Internal Revenue Agent of the district where his license was issued, be relieved from the requirement of keeping the records prescribed in these regulations, (Circular Letter No. 467 as amended), if in the opinion of said Supervising Agent the gross sales or receipts of said merchant will not exceed two hundred (p200.00) pesos in the quarter.

Upon receipt of said application and if same merits approval, the Supervising Agent will immediately note upon the license of the applicant "Records waived ....., 19...." and sign name.

In issuing succeeding licenses, the deputy provincial treasurer will transcribe to the new license the note made by the Supervising Agent on the old license including the signature of the Supervising Agent making the original entry.

(d) In the case of all persons, who by these regulations are exempted from the keeping of records of sales and receipts, the returns required by law shall consist of a statement on the coupon

corresponding to each quarter, that the gross sales or receipts for the preceding quarter did not exceed two hundred pesos (p200.00).

If at any time the gross sales or receipts of any taxpayer shall exceed two hundred pesos in any quarter, the exemption ceases and records must be kept beginning the next succeeding quarter.

(e) The Supervising Agent will not forward to the Collector of Internal Revenue any such applications for exemption unless the taxpayer's request is denied.

JAMES J. RAFFERTY,
Collector of Internal Revenue.

Approved:

VICTORINO MAPA,
Secretary of Finance and Justice.

BUREAU OF INTERNAL REVENUE.

REGULATIONS No. 3.

REGULATIONS AND INSTRUCTIONS GOVERNING THE BUSINESS OF DISTILLERS AND RECTIFIERS.

[1916]

* * * * * * * *

SEC. 6. *Register and stamp requisition books for manufacturers.*—The Collector of Internal Revenue shall cause to be prepared a sufficient number of manufacturers' register books and shall from time to time supply provincial treasurers with such numbers of said books as may be required in each locality by manufacturers of distilled spirits. These official books are five in number, and are known as follows: B. I. R. Form No. 14, Official Register Book, Distilled Spirits; this book is used in establishments where spirits are produced by original distillation only, and neither rectification nor compounding is engaged in. B. I. R. Form No. 215, Official Register Book, Crude Spirits; this is the auxiliary book "A" and is used in establishments

where rectifying or compounding is engaged in. B. I. R. Form No. 217, Official Register Book, Rectified Spirits; this is the auxiliary book "B" and is used in establishments where rectifying is engaged in. B. I. R. Form No. 216, Official Register Book, Compound Liquors; this is the auxiliary book "C" and is used in establishments where compounding of liquors is engaged in. B. I. R. Form No. 329, Official Register Book, Distilled Spirits, Sales Account; this book is used in lieu of the Official Register Book, Distilled Spirits (B. I. R. Form No. 14) mentioned above, in establishments where rectifying or compounding is engaged in. Whenever any manufacturer shall have qualified himself as such by executing a bond and registering his factory, and shall have complied with all the other requirements for engaging in such business as are prescribed in the Internal Revenpe Law and in these regulations the internal-revenue agent within whose district the manufactory is situated shall deliver to said manufacturer one official register book and the official auxiliary register books which the nature of the business requires and a stamp requisition book (B. I. R. Form 60 or 61).

All official books used by a distiller must be kept on the distillery premises and open to inspection by any internal-revenue officer at all times of day or night.

(a) Installation of register books.—There shall be entered on the fly leaf of the register book at the time of delivery to each manufacturer the date of delivery of the book; the name of the owner of the manufactory and of the manager thereof and a certificate signed by the owner or manager, attested by the internal-revenue agent delivering the book, to the effect that all the provi-sions of the law and regulations governing the operations of his manufactory, the use of said register, and the manner of the shipment of goods from the manufactory have been fully explained to such manufacturer or manager, and that he fully understands the same and knows the penalties and punishments imposed for the disregard thereof. One copy of this certificate shall be forwarded to the Collector of Internal Revenue, one shall be forwarded to the provincial treasurer through the deputy provincial treasurer, and one shall remain permanently in the register book.

(*b*) *Names of authorized managers to be filed.*—As manufacturers are permitted to authorize one or more persons to act as manager or managers of their business, they shall file with the deputy provincial treasurer of the municipality in which the manufactory is situated written statements containing the names of the persons authorized to sign, in their names, stamp requisitions and the entries in their register books, tax-receipt books, and transcript sheets.

(*c*) *Entries to be made in register book and transcripts to be rendered.*—At the time of the original assessment of each and every manufactory there shall be entered on the "debit" side of each register book, as the first item therein and in the proper columns, a description of all stocks of goods subject to the tax on hand on the date of said assessment; and each manufacturer shall, from day to day, or on such days as his manufactory is in operation, enter in said register on the "debit" side and in the proper columns thereof the day and number of hours worked, the thermometer and hydrometer readings, with resultant percentage of proof liters, and a statement of the denominative value and serial number of each stamp purchased on each day and the total value thereof; and each manufacturer shall at the time of any removal of goods enter in his register book on the "credit" side thereof and in the proper columns a full description of said goods, to include the day and hour of removal, the tax-receipt number, the serial numbers of the packages, the contents of each removal (i. e., the quantity removed under each tax receipt) in both gauge and proof liters, the total value and place where purchased of stamps affixed to the tax receipt, and the name of the consignee and his address. Such entry may be made in the register book from the tax receipt not later than noon of the day following such removal. In case a manufactory has been closed for one or more days, entry shall be made in the register books, "Factory closed from ..... 191.... to ..... 191...." This entry shall be made immediately upon reopening the factory for business. Each manufacturer shall sign his name opposite each entry made, whether on the "debit" or "credit" side as aforesaid in his register book and shall at the foot of each page of his register and auxiliary register books certify to the

truth and completeness of all entries made thereon at the time the page is completed. Each manufacturer shall promptly at the end of each month and not later than the fifth day of the next succeeding month make and transmit to the deputy provincial treasurer of the municipality within which his manufactory is situated, a true and exact transcript of all entries made on both the "credit" and "debit" sides of his register book and auxiliary register books during the month last past, including all entries made by an internal-revenue officer, and shall strike a balance in said books and on said transcript sheets which shall show the balance of stock on hand, if any. Said balance of stock shall be carried over as the first entry for the next succeeding month on the "debit" side of said books. Each manufacturer shall at the foot of each transcript sheet certify that the entries thereon are true and correct, and are exact copies of the entries contained in the corresponding register books. The transcript forms provided for above are identical in form with the debit and credit pages of the manufacturers' register books and will be supplied by the Collector of Internal Revenue to manufacturers through the respective deputy provincial treasurers. Upon receipt of the completed transcript sheets from manufacturers deputy provincial treasurers shall forward same by first mail to the Collector of Internal Revenue, through the office of the provincial treasurer.

(*d*) *Distillery register and auxiliary register books.*—Each distiller and rectifier shall keep such official auxiliary register books as the nature of his operations may require. A raw material auxiliary register book and auxiliary register books to be known as "A," "B" and "C" shall be kept in the manner herein prescribed.

(*e*) *Raw material auxiliary register.*—Debit will show quantity and kind of raw material received into the distillery daily and water and other materials added thereto. Credit will show quantity and kind of raw material used for charging stills. Additional columns will show number of proof liters produced daily and the proportion of alcohol produced to raw material used.

(*f*) *Book "A" debit.*—Under the head "Produced by original distillation" will be entered daily all crude spirits, in gauge and proof liters, with hydrometer and thermometer readings, pro-

duced in the distillery. In the proper columns will be entered the date, the number of stills operated, and the number of hours worked. Under the head "Received from other distilleries" will be entered the schedule, paragraph, and assessment numbers of the distilleries from which any spirits are received, the number of the tax receipt, the actual quantity received in gauge and proof liters, with hydrometer and thermometer readings, and the loss or gain under their respective headings. Under the head "Returned for distillation" will be entered all spirits which have been transferred to the "B," "C," or sales account which for any cause it may be necessary to redistill, the entry to be identified by the proper reference number, and to show the grade and temperature, and quantity in gauge and proof liters.

(*g*) *Book "A" credit.*—Under the three credit headings, "Transferred for rectification," "Transferred for compounding liquors," and "Transferred to sales," shall be entered the transfers to the "B," "C," and Sales Account registers, giving the date of transfer, hydrometer and thermometer readings, and the quantity in gauge and proof liters. Entries under each heading should be numbered consecutively, beginning each month with No. 1. These numbers will accompany the amounts transferred to the debit side of the proper account. There shall be added to such consecutive number the letter "A" to identify the book from which spirits were transferred; thus: A-1, A-2, etc., should appear on the debit entry in the book "B," or "C," or sales book, of amounts transferred from book "A."

(*h*) *Book "B" debit.*—In the column headed "original distillation" will be entered daily all spirits produced by a machine that produces rectified alcohol in one single process. In the column headed "Produced from crude spirits, original," will be entered rectified spirits produced otherwise than by continuous process. Losses will be the difference between the number of proof liters transferred from "A" book and those produced by the rectification thereof. Under the heading "Produced from change of grade" will be entered the number of gauge and proof liters of spirits produced by the addition of water to spirits in the same account.

(*i*) *Book "B" credit.*—The heading "Returned for redistillation" is self-explanatory; spirits so returned will be taken up as a debit in book "A" and identified by the letter "B" and the proper consecutive number. Spirits returned for reducing grade will, after water has been added, be taken up on the debit side of book "B," in the column headed "Produced from change of grade." Transfers for compounding will be debited in book "C" in the column headed "Used in compounding," and there identified by the letter "B" and the proper consecutive number. Transfers to sales will be debited in sales book and there identified by the letter "B" and the proper consecutive number.

(*j*) *Book "C" debit.*—Under the heading "Spirits received" will be entered the amount of crude and rectified spirits received by mixers who have no "A" or "B" books; schedule, paragraph, assessment, and tax-receipt numbers shall also be entered. Under the heading "Used in compounding liquors" the amount of crude or rectified spirits credited from books "A" and "B" will be entered with the letter "A" or "B" and consecutive number, according to the account from which the entry came; the kind of liquor to be produced, the ingredients, and the number of gauge liters of water added will be entered in their respective columns. Under the heading "Produced" the number of gauge and proof liters produced will be entered and the loss or gain in proof will be shown under the heading "In compounding."

(*k*) *Book "C" credit.*—Under the heading "Transferred for sales" will be entered all compound liquors transferred to the sales book. Each debit entry in the sales book will be identified by the letter "C" and the proper consecutive number.

(*l*) *Sales book debit (official register).*—Debit entries in the sales account will include all crude and rectified spirits and compound liquors prepared for sale. Each entry will, in the column headed "Number of hours worked," be identified by number and letter "A," "B," or "C," according as it comes from book "A," "B," or "C." All stamps purchased, with their serial numbers and the town where purchased, will also be entered, and the initials of the owner or manager will be signed opposite each debit entry.

(*m*) *Sales book credit.*—On the credit side of the sales account the following data will be shown: Date and hour of removal, tax-receipt number, inclusive serial numbers of packages, number of gauge and proof liters removed, amount of tax, town where stamps were purchased, name and address of consignee. Each credit entry will be signed by the owner or manager. When the official register (sales book) is also used as a production register, the number of hours worked each day will be entered in the column provided for that purpose.

(*n*) *Stamp requisitions.*—All internal-revenue stamps for use in the payment of taxes by manufacturers under Schedule "A" must be purchased on a stamp requisition form (B. I. R. Form No. 60 or 61) made out in duplicate by the manufacturer. The deputy provincial treasurer shall forward one copy of the said form, with the serial numbers and denominative values of stamps sold properly filled in, to the Bureau of Internal Revenue with his report of stamps sold. The other copy shall remain on file in the office of the deputy provincial treasurer.

(*o*) *Books required where taxpaid spirits are compounded.*—The Internal Revenue Law provides that if a person engages in the rectification or compounding of spirits on which the specific tax has been paid, any liquors produced exclusively therefrom shall not be subject to any further specific tax. A person authorized to engage in the compounding of this class of spirits, even though he rectify or compound non-taxpaid spirits at the same time, shall be required to keep the auxiliary register book "C" and the official register book, sales account, above prescribed, exclusively for recording his operations with the taxpaid spirits used by him. These books shall be given a special A-1 assessment number, which in the case of persons engaged in the rectification or compounding of non-taxpaid spirits shall be the same as their other A-1 assessment number with the letter "A" following: thus, A-1-777A. The books shall be installed and the entries made therein as set forth in the preceding subsections hereof.

SEC. 7. *Manufacture of imitation wines by rectifiers.*—A person desiring to engage in the manufacture of imitation wines by the compounding of distilled spirits with other substances shall be

required to pay the privilege tax as a rectifier and comply with the same requirements generally as a rectifier.

(*a*) *Books to be kept by manufacturers of imitation wines.*—A manufacturer of imitation wines will operate under the schedule and paragraph A-7. Each such manufacturer shall keep an official A-7 register book and auxiliary register book. The auxiliary register book shall be the same in form as the auxiliary register book "C" hereinbefore provided for rectifiers, and shall be kept in the same manner. The entries made in the column headed "Transfer for Sales" shall be dated, given a consecutive number, and transferred to the debit side of the A-7 official register book.

(*b*) *Debit entries in A-7 register book.*—The debit entry will show the aggregate daily transfers, the consecutive number of the entry (which will be shown in the column headed "No. of Hours Worked"), the quantity in gauge liters and the class; i. e., imitation wines containing fourteen per cent of alcohol or less shall be entered in the column headed "8 Cvos. Class," those containing more than fourteen per cent but not more than twenty-five per cent of alcohol shall be entered in the column headed "15 Cvos. Class," and imitation sparkling wines shall be entered in the column headed "P1 Class." Imitation wines containing more than twenty-five per centum of alcohol are taxable as distilled spirits, and therefore are nowhere taken up in the A-7 register books. The debit side will also show in the corresponding columns the denominative value, serial numbers, and total value of internal-revenue stamps purchased each day.

(*c*) *Credit entries in A–7 register book.*—On the credit page of the official A-7 register book shall be entered the date, hour, tax-receipt number serial numbers of packages, and quantity in gauge liters (entered separately under each class), of the articles removed under each tax receipt, the value of the stamps affixed to the receipt, and the name and address of the consignee. Each entry shall be signed in the column at the right of the page by the owner or his authorized manager. As soon as a page in the register book is completed, whether debit or credit, a balance will be made and carried forward to the next page, and the certificate at the bottom of each page signed by the owner or manager.

(*d*) *Transcript sheets, A-7.*—Manufacturers of imitation wines shall submit a transcript sheet within the same time and in the same manner as is hereinbefore required of rectifiers.

(*e*) *Tax receipts.*—Every removal shall be covered by an official tax receipt showing the date and hour of removal, name and address of the consignee, quantity in gauge liters of each class of imitation wines removed, and shall bear the proper amount of internal-revenue stamps in payment of the specific tax. In all respects A-7 tax receipts shall be issued, treated, and handled in the same manner as tax receipts are required to be issued, treated, and handled in the case of distilled spirits.

SEC. 8. *Delinquency and stocktaking records in register books.*—There shall be pasted securely in the center of the inside back cover of each Schedule "A" register book a stout paper envelope, with ungummed flap turned outward, in which shall be kept a form, (B. I. R. Form No. 409) prepared for use as an index and record of delinquency cases and instructions or warnings given the holder of the register book. The entries on this form shall be made by an internal-revenue officer, dated and signed both by the officer making same and by the owner or manager of the establishment. Each such entry shall contain the following information: If a delinquency case, the number of the case with a brief statement of the offense committed; in the case of instructions or warnings, a brief statement of the subject and substance thereof. Whenever an agent takes account of stock in a factory, he shall likewise enter a brief statement of the results thereof in this record.

SEC. 9. *Completion of register books.*—When all pages in an official register book have been filled, the manufacturer shall secure a new book from the provincial treasurer. The balance in the completed register book shall thereupon be carried forward to the new one. The delinquency record will also be removed from the completed register book by an internal-revenue agent or agent's assistant and transferred to the new one, and the following notation made in the old book:

"Delinquency record transferred to second (third, fourth, etc.) book, ... 191....

"

"*Internal Revenue Agent.*"

Each person subject to a specific tax will be held responsible for the proper preservation of all completed register books and of all delinquency records and shall hold same subject to the call of any internal-revenue officer. When any such person retires from business he shall secure a certificate, made by an internal-revenue officer on the last used page of his register, that all transcript sheets have been duly rendered and the register book properly closed.

SEC. 10. *Payment of the tax to be made by affixture of internal-revenue stamps to tax receipts.*—The payment of all internal-revenue taxes on distilled spirits, rectified or manufactured liquors, wines, and imitation wines, manufactured and removed from the place of production or manufacture for sale or consumption in the Philippine Islands, shall be made at the time of such removal by the purchase and affixture of internal-revenue stamps to official tax receipts, and shall be further indicated by the affixture of an official taxpaid label to each container of distilled spirits, rectified or manufactured liquors, wines, or imitation wines so removed.

(*a*) *Issuance of tax-receipt books.*—The Collector of Internal Revenue will cause to be prepared a sufficient number of manufacturers' tax-receipt books, B. I. R. Form No. 5, which will be supplied to manufacturers by provincial or deputy provincial treasurers and entries made on the fly leaf in the same manner as provided in section 6 (*a*) hereof for official register books. The tax receipts shall be official or public records or documents. These tax receipts shall be numbered consecutively from one to fifty in the first book delivered to each manufacturer, fifty-one to one hundred in the second book, and so on indefinitely for all subsequent tax-receipt books required by each manufacturer.

(*b*) *Contents of tax receipts.*—The tax receipts shall contain the following data: Date and hour of removal; name of consignee; his address—barrio, or street and number, town, and province—(distillers will require each intending purchaser to give his full address); serial numbers of the packages; permanent barrel or tank numbers, if barrel or tank is used; number and kinds of packages; class of liquor; quantity in gauge and proof liters; hydrometer and thermometer readings and resulting

percentage of proof; the amount of the tax, and a certificate to be signed by the owner or manager of the manufactory as to the truth and completeness of all entries made on the tax receipt.

(*c*) *Execution of tax receipts and process of removal.*—Before any manufacturer shall remove any distilled spirits, rectified or manufactured liquor, wines or imitation wines from the manufactory premises or from any internal-revenue bonded warehouse he shall securely attach to each package an official taxpaid label or tag, bearing his schedule, paragraph, and assessment numbers, and the number of the next blank tax receipt in his book, and shall make proper entry in all of the spaces of the blank tax receipt, and shall sign said receipt; he shall affix stamps in the amount of the tax due on the goods listed on the tax receipt securely and without lapping in the vertical column provided for stamps, shall cancel each stamp by writing or stamping the date across same and immediately above the serial number, in such a manner that part of the writing or stamping shall be on the stamp and part on the tax receipt, and that the serial number thereon shall not be rendered illegible or obliterated.

SEC. 11. *Completed tax-receipt books.*—Schedule "A" tax receipts in the hands of a manufacturer shall be taken up by the internal-revenue agent when all the receipts in a book have been used. Notation of the fact that the tax-receipt book has been taken up shall be made in the delinquency index by the agent in the following form: "Tax-receipt book of A-1-....., Nos. ..... to ..... taken up ....., 191....," to which the agent will sign his name. These books shall be turned over to the deputy provincial treasurer, who will forward same through the provincial treasurer to the Collector of Internal Revenue; *Provided, however,* That in the discretion of the internal-revenue agent in charge of the district in which the manufactory is located manufacturers may be required to forward these completed books direct to the deputy provincial treasurer, who will receipt for same in the manner provided above.

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JAMES J. RAFFERTY,
Collector of Internal Revenue.

Approved:

VICTORINO MAPA, *Secretary of Finance and Justice.*

THE GOVERNMENT OF THE PHILIPPINE ISLANDS.

DEPARTMENT OF FINANCE.

MANILA, August 31, 1920.

SUBJECT: *Amendments to Administrative Orders Nos. 42, 53 and 56, Regulations Nos. 3 and 4 and Circular No. 16.*

ADMINISTRATIVE ORDER NO. 60.[1]

To all internal-revenue officers and others concerned:

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8. Subsections (*b*) and (*c*), of section 6, Regulations No. 3, are amended so as to read as follows:

(*b*) *Names of authorized managers to be filed.*—As manufacturers are permitted to authorize one or more persons to act as manager or managers of their business they shall file with the deputy provincial treasurer of the municipality in which the manufactory is situated *a power of attorney in favor of the person or persons* authorized to sign, in their names, stamp requisitions and the entries in their register books, tax-receipt books, and transcript sheets. This intrument shall be forwarded to the Bureau of Internal Revenue by the said deputy.

(*c*) *Entries to be made in register books and transcripts to be rendered.*—At the time of the original assessment of each and every manufactory there shall be entered on the "debit" side of each register book, as the first item therein and in the proper columns, a description of all stocks of goods subject to the tax on hand on the date of said assessment; and each manufacturer shall, from day to day, or on such days as his manufactory is in operation, enter in said register on the "debit" side and in the proper columns thereof the day and number of hours worked, the thermometer and hydrometer readings, with resultant percentage of proof liters, and a statement of the denominative value and serial number of each stamp purchased on each day and the total value thereof; and each manufacturer shall at the time of any removal of goods enter in his register book on the "credit" side thereon and in the proper columns a full description of said goods, to include the day and hour of removal, the tax-receipt number, the serial numbers of the packages, the contents of each removal (i. e., the quantity removed under each tax-receipt) in both gauge and proof liters, the total value and place where pur-

[1]Promulgated September 2, 1920, XVIII Off. Gaz. 54.

chased of stamps affixed to the tax-receipt, and the name of the consignee and his address. Such entry may be made in the register book from the tax-receipt not later than noon of the day following such removal. In case a manufactory has been closed for one or more days, entry shall be made in the register books, "Factory closed from ....., 192... to ....., 192..." This entry shall be made immediately upon reopening the factory for business. Each manufacturer shall sign his name opposite each entry made, whether on the "debit" or "credit" side as aforesaid in his register and auxiliary register books certify to the truth and completeness of all entries made thereon at the time the page is completed. Each manufacturer shall promptly at the end of each month and not later than the *eighth* day of the next succeeding month make and transmit to the deputy provincial treasurer of the municipality within which his manufactory is situated, a true and exact transcript of all entries made on both the "credit" and "debit" sides of his register book and auxiliary register books during the month last past, including all entries made by an internal-revenue officer, and shall strike a balance in said books and on said transcript sheets which shall show the balance of stock on hand, if any. Said balance of stock shall be carried over as the first entry for the next succeeding month on the "debit" side of said books. Each manufacturer shall at the foot of each transcript sheet certify that the entries thereon are true and correct and are exact copies of the entries contained in the corresponding register books. The transcript forms provided for above are identical in form with the debit and credit pages of the manufacturers' register books and will be supplied by the Collector of Internal Revenue to manufacturers through the respective deputy provincial treasurers *to whom said transcript sheets shall be presented before the expiration of the eighth day of the next succeeding month. Before signing them, the local deputy provincial treasurer shall insert the date of presentation of the transcript sheets, after which the distillers shall forward them direct to this office.*

9. Subsections (*b*) and (*c*) of section 10, Regulations No. 4, are amended so as to read as follows:

(*b*) *Monthly transcripts to be rendered.*—Each manufacturer shall promptly at the end of each month and not later than the *eighth* day of the next succeeding month make and *present* to the deputy provincial treasurer of the municipality within which his manufactory is situated, a true and exact transcript of all entries made on both the "credit" and "debit" sides of his register books and auxiliary register books during the month last past, and shall strike a balance in each such book and on said transcript sheets, showing the balance of stock on hand, if any, and said balance of stock shall be carried over as the first entry for the next succeeding month on the "debit" side of said register book. Each manufacturer shall at the foot of each transcript sheet certify to the truth and correctness of all of the en-

tries therein, and that they are exact copies of the original entries contained in his register book. When any internal revenue officer is required to make entries of any kind in an official register book or other class of book for which transcript sheets are required to be rendered, such entries shall be made in a very legible manner and the manufacturer or dealer shall make a correct copy of same on his transcript sheets before sending them in at the end of the month. The transcript forms provided for above shall be identical in form with the debit and credit pages of the manufacturers' register books and will be supplied by the Collector of Internal Revenue to manufacturers through the respective deputy provincial treasurers *to whom said transcript sheets shall be presented before the expiration of the eighth day of the next succeeding month. Before signing them, the local deputy provincial treasurers shall insert the date of presentation of the transcript sheets, after which the manufacturers shall forward them direct to this office.*

(*c*) *Names of authorized managers to be filed.*—As manufacturers are permitted to authorize one or more persons to act as manager or managers of their business, they shall file with the deputy provincial treasurer of the municipality in which the manufactory is situated *a power of attorney in favor of the person or persons* authorized to sign, in their names, stamp requisitions and the entries in their official register books and auxiliary register books and the entries in their transcript sheets. *This instrument shall be forwarded to the Bureau of Internal Revenue by the said deputy.*

10. Sections 12 (*a*), 19, 20 (*d*), and 20 (*e*), all of Regulations No. 4, as amended by Administrative Order No. 47, are hereby amended so as to read:

SEC. 12. (*a*) *Official bale book.*—The official bale book is identical in arrangement with the wholesale leaf tobacco dealer's official register book. It shall be installed in *the main* leaf tobacco warehouse of the manufacturer, and shall bear the same paragraph and assessment number as the L.-? register book. All leaf tobacco in whatever form received in any factory warehouse or factory, and any removals of tobacco from the factory proper shall be credited out of the proper official bale book. In a like manner all tobacco received in the factory or factory warehouse shall be debited in the bale book corresponding to the factory or warehouse.

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ALBERTO BARRETTO,
Secretary of Finance.

THE GOVERNMENT OF THE PHILIPPINE ISLANDS.

DEPARTMENT OF FINANCE.

MANILA, August 17, 1921.

SUBJECT: *Income Tax Regulations.*

REGULATIONS NO. 20.[1]

To all internal revenue officers and others concerned:

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SEC. 20. *Need of inventories.*—There is no particular form prescribed for taking inventory, and the taxpayer should adopt such form which is not inconsistent with the business practice, provided the inventoried property is valued at cost. Inventories should be recorded in a legible manner and properly computed and summarized, and should be preserved as a part of the accounting records of the taxpayer. Goods taken in the inventory which have been so intermingled that they cannot be identified with specific invoices will be deemed to be the goods most recently purchased.

SEC. 3. For the purpose of the additional tax, the taxable income of any individual shall include the share to which he would be entitled of the gains and profits, if divided or distributed, whether divided or distributed or not, of all corporations, joint-stock companies, partnerships, joint-accounts (*cuentas en participación*), associations or insurance companies however created or organized, when such gains or profits have been fraudulently accumulated or retained for the purpose of evading the payment of the additional tax upon them; and the fact that any such corporation, joint-stock company, partnership, joint-account (*cuentas en participación*), association, or insurance company, is a mere holding company, or that the gains and profits are permitted to accumulate beyond the reasonable needs of the business, shall be prima facie evidence of a fraudulent purpose to escape such tax; but the fact that the gains and profits are in any case permitted to accumulate and become surplus shall not be construed as evidence of a purpose to escape

[1]Promulgated February 11, 1922, XX Off. Gaz., 18, page 323.

the said tax in such case unless the Secretary of Finance shall certify that in his opinion such accumulation is unreasonable for the purposes of the business. When requested by the Collector of Internal Revenue such corporation, joint-stock company, partnership, joint-account (*cuentas en participación*), association, or insurance company shall forward to him a correct statement of such gains and profits and the names and addresses of the individuals or shareholders who would be entitled to the same if divided or distributed.

SEC. 4. The following incomes shall be exempt from the provisions of this Law:

(*a*) The proceeds of life insurance policies paid to beneficiaries upon the death of the insured.

(*b*) The amount received by the insured, as a return of premium or premiums paid by him under life insurance, endowment, or annuity contracts, either during the term or at the maturity of the term mentioned in the contract or upon surrender of the contract.

(*c*) The value of property acquired by gift, bequest, devise, or descent, but the income from such property shall be included as income.

(*d*) Interest upon the obligations of the United States to the extent provided in the Act authorizing the issue thereof; interest upon the obligations of the Government of the Philippine Islands or any political subdivision thereof, but in the case of such obligations issued after January first, nineteen hundred and nineteen, only to the extent provided in the Act authorizing the issue thereof.

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SEC. 55. *Methods of accounting.*—It is recognized that no uniform method of accounting can be prescribed for all taxpayers, and the law contemplates that each taxpayer shall adopt such forms and systems of accounting as are in his judgment best suited to his purposes. For the purpose of the foregoing subsection of the law, any approved standard method of accounting will ordinarily be regarded as clearly reflecting the taxpayer's income.

SEC. 9 (*a*) All assessments shall be made by the Collector of Internal Revenue and all persons shall be notified of the amount for which they are respectively liable on or before the first day of June of each successive year, and said amounts shall be paid on or before the fifteenth day of June, except in cases of refusal or neglect to make such return and in cases of erroneous, false, or fraudulent returns, in which cases the Collector of Internal Revenue shall, upon the discovery thereof, at any time within three years after said return is due, or has been made, make a return upon information obtained as provided for in this Law or by existing law, or require the necessary corrections to be made, and the assessment made by the

Collector of Internal Revenue thereon shall be paid by such person or persons immediately upon notification of the amount of such assessment; and to any sum or sums due and unpaid after the fifteenth *day of* June in any year, and for ten days after notice and demand thereof by the Collector, there shall be added the sum of five per centum on the amount of tax unpaid, and interest at the rate of one per centum per month upon said tax from the time the same became due, except from the estates of insane, deceased, or insolvent persons.

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SEC. 99. *Methods of accounting.*—Taxpayers coming under the foregoing provision of law may make their returns of annual net income on the basis of the accounts kept by them, provided the systems of accounting adopted by them clearly and correctly reflect their net income for each calendar or fiscal year.

SEC. 13. (*c*) All the provisions of this Law relating to the tax required to be deducted and withheld and paid to the internal revenue officer authorized to receive the same from the income of nonresident alien individuals from sources within the Philippine Islands shall be made applicable to the tax imposed by subdivision (*a*) of section ten upon the income described in subsection (*b*) of section nine, obtained by nonresident alien firms, copartnerships, companies, corporations, joint-stock companies, partnerships, and insurance companies, not engaged in business or trade within the Philippine Islands and not having any office or place of business therein.

SEC. 13. (*f*) Likewise, all the provisions of this Law relating to the tax required to be deducted and withheld and paid to the officer of the Government of the Philippine Islands authorized to receive the same from the income of nonresident alien individuals from sources within the Philippine Islands shall be made applicable to income derived from dividends upon the capital stock or from the net earnings of domestic or other resident corporations, joint-stock companies, partnerships, joint-accounts (*cuentas en participación*), associations, and insurance companies by nonresident alien firms, corporations, joint-stock companies, partnerships, joint-accounts (*cuentas en participación*), associations, and insurance companies, not enaged in business or trade within the Philippine Islands and not having any office or place of business therein.

SEC. 14. (*a*) All assessments shall be made by the Collector of Internal Revenue, and the several corporations, joint-stock companies, partnerships, joint-accounts (*cuentas en participación*), associations, and insurance companies shall be notified of the amount for which they are respectively liable on or before the first day of June of each year, and said assessment shall be paid on or before the fifteenth day of June: *Provided*, That every corporation, joint-stock company, partnership, joint-account (*cuenta en participación*), association, and insurance company, computing taxes upon the income of the fiscal year which it may designate in the manner hereinbefore provided, shall pay the taxes due under its assessment within one hundred and five

days after the date upon which it is required to file its list or return of income for assessment; except in cases of refusal or neglect to make such return, and in cases of erroneous, false, or fraudulent returns, in which cases the Collector of Internal Revenue shall, upon the discovery thereof, at any time within three years after said return is made or due, make a return upon information obtained as provided for in this Law or by existing law or require the return made to be corrected and the assessment made by the Collector of Internal Revenue thereon shall be paid by such corporation, joint-stock company, partnership, joint-account (*cuenta en participación*), association, or insurance company immediately upon notification of the amount of such assessment; and to the tax due and unpaid after the fifteenth day of June of any year, or after one hundred and five days from the date on which the return of income is required to be made by the taxpayer, and after ten days' notice and demand thereof by the Collector, there shall be added five per centum on the amount and interest at the rate of one per centum per month upon the said tax, from the time the same becomes due: *Provided*, That upon the examination of any return of income made pursuant to this Law, if it shall appear that amounts of tax have been paid in excess of those properly due, the taxpayers shall be permitted to present a claim for refund thereof.

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MIGUEL UNSON,
Acting Secretary of Finance.

THE GOVERNMENT OF THE PHILIPPINE ISLANDS

DEPARTMENT OF FINANCE

MANILA, *August 10, 1922*

Subject: Revised Regulations and Instructions Governing the Business of Manufacturers of Cigars and Cigarettes and Chewing and Smoking Tobacco

REGULATIONS No. 27[1]

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SEC. 10. (*a*) *Register, auxiliary register, and stamp requisition books for manufacturers.*—The Collector of Internal Revenue shall from time to time supply provincial treasurers with the necessary number of manufacturers' official register books and official auxiliary register books as may be required in each locality by manufacturers of tobacco products. Whenever any manufacturer shall have qualified himself as such by executing a proper bond, registering his factory, and paying the privilege tax

[1]Promulgated March 1, 1923, XXI Off. Gaz. 26, page 460.

and shall have complied with all the requirements for engaging in such business contained in the Internal Revenue Law and in these regulations, the internal revenue agent within whose district the factory is located shall deliver to said manufacturer the necessary official register books and auxiliary register books. These books consist in the following:

B. I. R. No. 16.—Official Register Book, A-3, for manufacturers of chewing and smoking tobacco—"manufactured tobacco." (B. I. R. No. 22.—Transcript sheet of above.)

B. I. R. No. 17.—Official Register Book, A-4, for manufacturers of cigars. (B. I. R. No. 23.—Transcript sheet of above.)

B. I. R. No. 18.—Official Register Book, A-5, for manufacturers of cigarettes. (B. I. R. No. 24.—Transcript sheet of above.)

B. I. R. No. 281.—Official Register Book, L-7, record of raw materials, for manufacturers of any class of tobacco products. (B. I. R. No. 282.—Transcript sheet of above.)

B. I. R. No. 268.—Auxiliary Register Book, L-7½, bale book, for manufacturers of any class of tobacco products. (B. I. R. No. 269.—Transcript sheet of above.)

B. I. R. No. 60 *A*.—Stamp requisition Book, for manufacturers of manufactured tobacco.

B. I. R. No. 60 *B*.—Stamp requisition Book, for manufacturers of cigars.

B. I. R. No. 60 *C*.—Stamp requisition Book, for manufacturers of cigarettes.

B. I. R. No. 283.—L-7 Official Invoice Book, for use in connection with L-7 register book.

B. I. R. No. 283.—L-7½ Official Invoice Book, for use in connection with L-7½ bale book.

(b) *General nature of official register and auxiliary register books.*—The L–7 official register book is the record of all raw materials used in the manufacture of tobacco products of all description in the factory. It is the primary record of the internal operations of the factory. It shows the raw materials used in the manufacture and the articles actually manufactured or produced. The Schedule A register books are the records of the articles actually manufactured or produced, and transferred from the credit side of the official register book, L–7. They show the amount of taxes paid and the name of the person to whom the finished product is consigned or sold when leaving the factory. The bale book, L–7½, is an auxiliary to the L–7 official register book.

All official register books and other official records herein required of manufacturers shall be kept on the factory premises, or

in the factory warehouse, in the case of bale books, and open to inspection by any internal revenue officer at all times of day or night.

(c) Preliminary steps; entries to be made on fly leaf of official register, auxiliary register and other official books.—There shall be entered on the fly leaf of each official register book or auxiliary register book at the time of delivery to the manufacturer the date of delivery of the book, the name of the owner of the factory and of the manager thereof, and a declaration or certificate signed by the owner or manager, attested by the internal revenue agent delivering the book, to the effect that all the provisions of the law and regulations governing the operations of his factory, the use of said official book, and the manner of stamping, marking, and shipping of goods from the factory, have been fully explained to such manufacturer or manager; that he fully understands the same and knows the penalties and punishments imposed for the disregard thereof, and promising strict compliance therwith. One copy of this declaration or certificate shall be forwarded to the Collector of Internal Revenue, another transmitted to the provincial treasurer through the deputy provincial treasurer and a third one shall remain permanently in the register book.

SEC. 11. *Entries to be made in the official register and auxiliary register books; monthly transcripts.—(a) Official bale book (L–7½).*—All leaf tobacco received in any factory warehouse or factory, and any removals of tobacco from the factory proper shall be credited in the official bale book; except cuttings, clippings, sweepings, and other partially manufactured tobacco, which shall be credited in the L–7 register book. In a like manner all tobacco received in the factory or factory warehouse shall be debited in the bale book corresponding to the factory or warehouse.

The Collector of Internal Revenue may in his discretion waive the requirement of keeping an official bale book by small factories.

(b) The official register book (L–7).—One L–7 book shall suffice for each manufacturer of tobacco products, regardless of the classes of tobacco manufactured by him. All loose leaf tobacco received in the factory proper and all bales of leaf tobacco which are opened in the factory for use in the manufacture of tobacco products shall be entered in the L–7 official register book under

the heading "Received from dealers" at the net weights. In the column headed "Name" and "Address" shall be shown the words "Transferred from tobacco factory warehouse." All leaf tobacco received into a factory must be entered in the official bale book pertaining to the factory and bales of leaf tobacco shall not be taken up in the L–7 register book until said bales are transferred for use and credited in the official bale book. While leaf tobacco must be taken up in the official bale book, this is done for statistical purposes only. As soon as it enters the factory for use in manufacture it should be taken up in the L–7 register book and credited in the official bale book.

All removals of waste of tobacco, whether transferred to other factories, removed for agricultural or industrial purposes, or destroyed on the premises or elsewhere, shall be entered in the official register book, L–7, under the heading "Raw materials removed," showing all information required therein.

(c) Quantity of products; wholesale price.—Immediately after operations have commenced in a new factory the owner or manager of the factory under the supervision of the internal revenue agent shall proceed, in the manner hereinafter provided, to determine the number of each brand of cigars and cigarettes and quantity of each brand of smoking and chewing tobacco that can be produced from 1 kilo of leaf. After such figures have been ascertained and entered in their proper order in the manufacturer's declaration they shall be entered in the column provided on the production sheet in the L–7 register. Under each brand shall also be shown the manufacturer's wholesale price of the brand. If a new brand is added the name of such brand shall be written in red ink during the first month.

(d) Schedule A register books.—At the time of the original assessment of each and every factory there shall be entered on the "Debit" side of each official register book, as the first item therein and in the proper columns, a description of all stocks of goods subject to the tax on hand on the date of said assessment. Every manufacturer shall also, at the close of the day's business, on such days as his factory is in operation, enter in said register on the "Debit" side and in the proper columns thereof the day and number of hours worked, the kind and quantity of amount of articles

produced and a statement of the denominative values, serial numbers, quantity and total value of internal revenue stamps purchased on that day. At the time of any removal of goods, he shall immediately enter in his register book on the "Credit" side thereof and in the proper columns a full description of said goods, including the day and hour of removal, the denominative value, serial numbers, and quantity of internal revenue stamps affixed to every container, the contents thereof by the count, or measurement or the quantity used, the total value of the stamps affixed to the containers, and the name and address of the consignee or purchaser. All tobacco products manufactured shall be shown daily in the corresponding actual production sheet, and in case a factory has been closed for one or more days, entry shall be made in the register books, "Factory closed from....., 19....., to ....., 19....." This entry shall be made immediately upon reopening the factory for business. He shall sign or initial each entry made, whether on the "Debit" or "Credit" side as aforesaid of said register book, at the close of the day's business, and shall at the foot of each page certify to the truth and completeness of all entries made therein.

(e) Monthly transcript sheets to be rendered.—Every manufacturer shall promptly at the end of each month and not later than the eighth day of the next succeeding month make and present to the deputy provincial treasurer of the municipality within which his factory is situated, a true and exact transcript of all entries made on both the "Credit" and "Debit" sides of his register books and auxiliary register books during the month last past, and shall strike a balance in each such book and on said transcript sheets, showing the balance of stock on hand, if any, and said balance of stock shall be carried over as the first entry for the next succeeding month on the "Debit" side of said register book. Each manufacturer shall at the foot of each transcript sheet certify to the truth and completeness of all of the entries therein, and that they are exact copies of the original entries contained in his official register book. When any internal revenue officer is required to make entries of any kind in an official register book or other class of books for which transcript sheets are required to be rendered, such entries shall be made in a legible

manner and the manufacturer or dealer shall make a correct copy of same on his transcript sheets before sending them in at the end of the month. The transcript forms provided for above shall be identical in form with the debit and credit pages of the manufacturers' official register books and will be supplied by the Collector of Internal Revenue to manufacturers through the respective deputy provincial treasurers to whom said transcript sheets shall be presented not later than the eighth day of the next succeeding month. Before signing them, the local deputy provincial treasurers shall insert or stamp thereon the date of presentation of the transcript sheets, after which the manufacturers shall forward them direct to the Collector of Internal Revenue.

SEC. 12. *(a) Invoice books and stubs.*—Each manufacturer of tobacco products shall keep an official invoice book (B. I. R. Form No. 283) to correspond with each bale book (L–7½) and his official register book (L–7) from which he shall issue an invoice containing all the data specified thereon to cover each removal or sale of tobacco made by him. Such invoice or guia shall at all times accompany the goods which it covers and shall be attached to the bill of lading if the goods are shipped by rail or boat. Whenever nontaxpaid domestic tobacco in any form is found unaccompanied by such invoice or guia, the fact that it is so unaccompanied shall be *prima facie* evidence that such tobacco is unlawfully in the possession of its holder, and the tobacco shall be seized or embargoed by any internal revenue agent or officer who finds it so unaccompanied. A record of each Schedule L invoice issued shall be made on the corresponding notification and record stub before the invoice shall be detached, and the notification stubs of all invoices issued shall be delivered not later than the day following the date of their issue (Sundays and holidays excepted) to the deputy provincial treasurer of the municipality in which the factory is situated.

(b) Manufacturers must give sufficient address on L–7 invoice and notification stubs.—Manufacturers shall not issue L–7 or L–7½ invoice with an insufficient or indefinite address. When by reason of its insufficiency or indefiniteness an internal revenue officer is unable to locate the person to whom issued, he shall require the manufacturer to make out a substitute invoice (B. I. R. Form

No. 97) which shall be sworn to by said manufacturer and shall have affixed thereto a 20-centavo documentary stamp.

SEC. 13. *Treatment of fractions of a kilo.*—Except as otherwise provided in this chapter, in recording transactions in the official register book, L–7, the manufacturer shall, when the net weight is not in even kilos, eliminate the fraction; if such fraction amounts to 500 grams or more by treating it as 1 kilo; if less than 500 grams by dropping it altogether. Example: 1,742.500 kilos should be expressed as 1,743 kilos; 1,742.497 kilos should be expressed as 1,742 kilos. But in the "Production sheet for manufactured tobacco," the fractions shall be entered for the production of packages daily, eliminating the fractions as above provided when carrying the total forward to the résumé at the end of each month, or at any time when account of stock is taken.

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SEC. 23. *Completion of register books.*—When all pages of the official register books have been filled, the balance in the completed register shall be carried forward to the new register. The delinquency record will also be removed from the completed register by an internal revenue agent or agent's assistant and transferred to the one newly installed, and the following note made in the old register:

"Delinquency record transferred to second (third, fourth, etc.) book ...., 19.....

"

"Internal Revenue Officer."

Every person required to pay specific tax will be held responsible for the proper preservation of all completed registers and auxiliary register books and of all delinquency indexes and shall hold same subject to the call of any internal revenue officer. When a tobacco manufacturer retires from business he shall secure a certificate, to be executed by an internal revenue officer on the last used page of his register, to the effect that all transcript sheets have been duly rendered and the register book properly closed.

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ALBERTO BARRETTO,
Secretary of Finance.

THE GOVERNMENT OF THE PHILIPPINE ISLANDS

DEPARTMENT OF FINANCE

MANILA, *September 2, 1922.*

Subject: Amendment to Regulations No. 20 (Income Tax Regulations)

REGULATIONS NO. 29[1]

SECTION 1. In order to make the Income Tax Regulations conform with the provisions of Act No. 3026, amending section 2 (*d*) of the Income Tax Law, section 20 of the same Regulations (Regulations No. 20) is hereby amended so as to read as follows:

Section 2 (d) of Act No. 2833 as amended.—Whenever in the judgment of the Collector of Internal Revenue the use of inventories is necessary in order to determine clearly the income of any taxpayer, inventories shall be taken by such taxpayer upon such basis as the Collector of Internal Revenue with the approval of the Secretary of Finance may prescribe, as conforming as nearly as may be to the best accounting practice in the trade or business and as most clearly reflecting the income.

SEC. 20. (*a*) *Need of inventories.*—In order to reflect the net income correctly, inventories at the beginning and end of each year are necessary in every case in which the production, purchase, or sale of merchandise is an income-producing factor. The inventory should include raw materials and supplies on hand that have been acquired for sale, consumption or use in productive processes, together with all finished or partly finished goods. Only merchandise title to which is vested in the taxpayer should be included in the inventory. Accordingly the seller should include in his inventory goods under contract for sale but not yet segregated and applied to the contract and goods out upon consignment, but should exclude from inventory goods sold, title to which has passed to the purchaser. A purchaser should include in inventory merchandise purchased, title to which has passed to him although such merchandise is in transit or for other reasons has not been reduced to physical possession, but should not include goods ordered for future delivery transfer of title to which has not yet been effected.

SEC. 20. (*b*) *Valuation of inventories.*—The law provides two tests to which each inventory must conform—(1) It must conform as nearly as possible to the best accounting practice in the trade or business, and (2) it must clearly reflect the income. It follows, therefore, that inventory rules can not be uniform but must give effect to trade customs which come within the scope of the best accounting practice in the particular trade or business. In order to clearly reflect

[1]Promulgated October 20, 1923, XXI Off. Gaz., 126, page 2589.

income, the inventory practice of a taxpayer should be consistent from year to year, and greater weight is to be given to consistency than to any particular method of inventorying or basis of valuation, as long as the method or basis used is substantially in accord with these regulations. An inventory that can be used under the best accounting practice in a balance sheet showing the financial position of the taxpayer is, as a general rule, regarded as clearly reflecting his income.

The basis of valuation most commonly used by business concerns and which meets the requirements of the Income Tax Law is (*a*) cost price or (*b*) market price. (For inventories by dealers in securities, *see* section 20 (*c*).) Any goods in an inventory which are unsalable at normal prices or unusable in the normal way because of damage, imperfections, shop wear, changes of style, odd or broken lots, or other similar causes, including second hand goods taken in exchange, should be valued at *bona fide* selling prices whether basis (*a*) or (*b*) is used, or if such goods consist of raw materials or partly finished goods held for use or consumption, they should be valued upon a reasonable basis, taking into consideration the usability and the condition of the goods, but in no case shall such value be less than the scrap value. *Bona fide* selling price means actual offerings of goods during a period ending not later than thirty days after inventory date. The burden of proof will rest upon the taxpayer to show that such exceptional goods as are valued upon such selling basis come within the classifications indicated above and he shall maintain such records of the disposition of the goods as will enable a verification of the inventory to be made.

In respect to normal goods, whichever basis (*a*) or (*b*) is adopted must be applied with reasonable consistency to the entire inventory. Taxpayers were given the option to adopt the basis of either (*a*) cost price or (*b*) market price, for their 1921 inventories, and the basis adopted for that year is controlling and a change can now be made only after permission is secured from the Collector of Internal Revenue. Goods taken in the inventory which have been so intermingled that they can not be identified with specific invoices will be deemed to be either (*a*) the goods most recently purchased or produced and the cost thereof will be the actual cost of the goods purchased or produced during the period in which the quantity of goods in the inventory has been acquired, or (*b*) where the taxpayer maintains book inventories in accordance with a sound accounting system in which the respective inventory accounts are charged with the actual cost of the goods purchased or produced and credited with the value of the goods used, transferred or sold, calculated upon the basis of the actual cost of the goods acquired during the taxable year (including the inventory at the beginning of the year), the net value as shown by such inventory accounts will be deemed to be the cost of the goods on hand. The balances shown by such book inventories should be verified by physical inventories at reasonable intervals and adjusted to conform therewith.

Inventories should be recorded in a legible manner, properly computed and summarized, and should be preserved as a part of the accounting record of the taxpayer. The inventories of taxpayers on whatever basis taken will be subject to investigation by the Collector of Internal Revenue and the taxpayer must satisfy the Collector of Internal Revenue of the correctness of the price adopted.

The following methods, among others, that are sometimes used in taking or valuing inventories, are not in accord with these regulations and therefore their use for income tax purposes is prohibited, viz:

(*a*) Deducting from the inventory a reserve for price changes, or an estimated depreciation in the value thereof.

(*b*) Taking work in process, or other parts of the inventory, at a nominal price or at less than its proper value.

(*c*) Omitting portions of the stock on hand.

(*d*) Using a constant price or nominal value for a so-called normal quantity of materials or goods in stock.

(*e*) Including stock in transit, either shipped to or from the taxpayer, the title of which is not vested in the taxpayer.

SEC. 20. (*c*) *Inventories at cost price.*—Cost means:

(1) In the case of merchandise on hand at the beginning of the taxable year, the inventory price of such goods.

(2) In the case of merchandise purchased since the beginning of the taxable year, the invoice price less trade or other discounts, except strictly cash discounts, approximating a fair interest rate, which may be deducted or not at the option of the taxpayer, provided a consistent course is followed. To this net invoice price should be added transportation or other necessary charges incurred in acquiring possession of the goods.

(3) In the case of merchandise produced by the taxpayer since the beginning of the taxable year, (*a*) the cost of raw materials and supplies entering into or consumed in connection with the product; (*b*) expenditures for direct labor; (*c*) indirect expenses incident to and necessary for the production of the particular article, including therein indirect expenses, a reasonable proportion of management expenses, but not including any cost of selling or return on capital whether by way of interest or profit.

(4) In any industry in which the usual rules for computation of cost of production are inapplicable, costs may be approximated upon such basis as may be reasonable and in conformity with established trade practice in the particular industry. Among such cases are: (*a*) Farmers and raisers of live stock (*see* section 20 (*f*); (*b*) miners and manufacturers who by a single process or uniform series of processes derive a product of two or more kinds, size or grade, the unit cost of which is substantially alike (*see* section 20 (*g*); and (*c*) retail merchants who use what is known as the "retail method" in ascertaining approximate cost (*see* section 20 (*h*)).

SEC. 20. (*d*) *Inventories at market price.*—Under ordinary circumstances, and for normal goods in an inventory, "market" means the current bid price prevailing at the date of the inventory for the

particular merchandise in the volume in which usually purchased by the taxpayer, and is applicable in the cases (*a*) of goods purchased and on hand, and (*b*) of basic elements of cost (materials, labor and burden) in goods in process of manufacture and in finished goods on hand; exclusive, however, of goods on hand or in process of manufacture for delivery upon firm sales contracts (i. e., those not legally subject to cancellation by either party) at fixed prices entered into before the date of the inventory, which goods must be inventoried at cost. Where no open market exists or where quotations are nominal due to stagnant market conditions, the taxpayer must use such evidence of a fair market price at the date or dates nearest the inventory as may be available, such as specific purchases or sales by the taxpayer or others in reasonable volume and made in good faith, or compensation paid for cancellation of contracts for purchase commitments. Where the taxpayer in the regular course of business has offered for sale such merchandise at prices lower than the current price as above defined, the inventory may be valued at such prices and the correctness of such prices will be determined by reference to the actual sales of the taxpayer for a reasonable period before and after the date of the inventory. Prices which vary materially from the actual prices so ascertained will not be accepted as reflecting the market.

SEC. 20. (*c*) *Inventories by dealers in securities.*—A dealer in securities, who in his books of account regularly inventories unsold securities on hand either (*a*) at cost or (*b*) market, may make his return upon the basis upon which his accounts are kept; provided that a description of the method employed shall be included in or attached to the return, that all the securities must be inventoried by the same method, and that such method must be adhered to in subsequent years, unless another be authorized by the Collector of Internal Revenue. For the purpose of this rule a dealer in securities is a merchant of securities, whether an individual, partnership, or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers; that is, one who as a merchant buys securities and sells them to customers with a view to the gains and profits that may be derived thereform. If such business is simply a branch of the activities carried on by such person, the securities inventoried as here provided may include only those held for purpose of resale and not for investment. Taxpayers who buy and sell or hold securities for investment or speculation, and not in the course of an established business, and officers of corporations and members of partnerships who in their individual capacities buy and sell securities, are not dealers in securities within the meaning of this rule.

SEC. 20. (*f*) *Inventories of live-stock raisers and other farmers.*—(1) Farmers may change the basis of their returns from that of receipts and disbursements to that of an inventory basis, which necessitates the use of opening and closing inventories for the year in which the change is made. There should be included in the opening inventory all farm products (including live stock) purchased

or raised which were on hand at the date of the inventory, but inventories must not include real estate, buildings, permanent improvements or any other fixed assets.

(2) Because of the difficulty of ascertaining actual cost of live stock and other farm products, farmers who render their returns upon an inventory basis may at their option value their inventories for the current taxable year according to the "farm-price method" which provides for the valuation of inventories at market price less cost of marketing. If the use of the "farm-price method" of valuing inventories for any taxable year involves a change in method of pricing inventories from that employed in prior years, the opening inventory for the taxable year in which the change is made should be brought in at the same value as the closing inventory for the preceding taxable year. If such valuation of the opening inventory for the taxable year in which the change is made results in an abnormally large income for that year, there may be submitted with the return for such taxable year an adjustment statement for the preceding year based on the "farm-price method" of valuing inventories; upon the amount of which adjustments the tax, if any be due, shall be assessed and paid at the rate of tax in effect for such preceding year.

(3) Where returns have been made in which the taxable net income has been computed upon incomplete inventories, the abnormality should be corrected by submitting with the return for the current taxable year a statement for the preceding year in which such adjustments shall be made as are necessary to bring the closing inventory for the preceding year into agreement with the opening complete inventory for the current taxable year.

SEC. 20. (*g*) *Inventories of miners and manufacturers.*—A taxpayer engaged in mining or manufacturing who by a single process or uniform series of processes derives a product of two or more kinds, sizes or grades, the unit cost of which is substantially alike, and who in conformity to a recognized trade practice allocates an amount of cost to each kind, size or grade of product which in the aggregate will absorb the total cost of production, may use such allocated cost as a basis for pricing inventories, provided such allocation bears a reasonable relation to the respective selling values of the different kinds of products.

SEC. 20. (*h*) *Inventories of retail merchants.*—Retail merchants who employ what is known as the "retail method" of pricing inventories may make their returns upon that basis, provided that the use of such method is designated upon the return, that accurate accounts are kept, and that such method is consistently adhered to unless a change is authorized by the Collector of Internal Revenue. Under this method the goods in the inventory are ordinarily priced at the selling prices and the total retail value of the goods in each department or of each class of goods is reduced to approximate cost by deducting the percentage which represents the difference between the retail selling value and the purchase price. This percentage is determined by departments of a store or by classes of

goods, and should represent as accurately as may be the amounts added to the cost prices of the goods to cover selling and other expenses of doing business and for the margin of profit. In computing the percentage above-mentioned, proper adjustment should be made for all mark ups and mark downs.

A taxpayer maintaining more than one department in his store or dealing in classes of goods carrying different percentages of gross profit should not use a percentage and profit based upon an average of his entire business but should compute and use in valuing his inventory the proper percentages for the respective departments or classes of goods.

SEC. 2. These regulations shall take effect after promulgation in the Official Gazette and will cover the 1921 and succeeding inventories.

MIGUEL UNSON,
Acting Secretary of Finance.

THE GOVERNMENT OF THE PHILIPPINE ISLANDS
DEPARTMENT OF FINANCE

MANILA, *February 20, 1923.*

Subject: Merchants' Books Regulations
REGULATION NO. 34[1]

To all internal revenue officers and others concerned:

SECTION 1. In accordance with the provisions of Act No. 2803 of the Philippine Legislature in connection with sections 1424 *(j)*, 1457, and 1459 of the Administrative Code, the following regulations, relative to the books and records to be kept by merchants, are hereby promulgated and shall supersede Circular Letter No. 467 of this Office together with all other rulings and circulars heretofore issued on the subject. They shall be known as "The Merchants' Books Regulations" or Regulations No. 34.

SEC. 2. *Records of sales.*—All merchants and manufacturers subject to the fixed and percentage taxes imposed by the Internal Revenue Law shall keep a book in which they shall enter every day in detail, each of their sales that amount to P50 or more, and the daily aggregate amount of sales that are less than P50 each, together with the name and address of each purchaser. Every merchant and manufacturer before using said book shall serially number its pages in a permanent and legible manner and shall present it to the local internal revenue agent or officer for approval. Cash sales and sales on credit shall be entered separately

[1]Promulgated March 15, 1923, XXI Off. Gaz., 32, page 566.

in this book within the period of twenty-four hours following the date on which they are made. If no sales are made on any date, then that fact shall be noted in the book within twenty-four hours under the corresponding date. The book prescribed herein shall be kept substantially as shown in the model below:

JANUARY 1, 1923

Article	Quantity	Value or selling price	Cash payment	Credit	Name and address of purchaser
Rice	1,000 kilos	P138.00	P100.00	P38.00	Manila Rice Company, 520 Juan Luna.
Galvanized iron roofing	100 sheets	350.00	150.00	200.00	Juan Medina, 1460 Azcarraga.
Total		488.00	250.00	238.00	

SEC. 3. *Records of purchases.*—In addition to the records of sales prescribed in the next preceding section, all merchants and manufacturers subject to the fixed and percentage taxes imposed in the Internal Revenue Law shall also keep a book in which they shall enter in detail the quantity of goods, articles, wares, or merchandise bought by them, the price paid therefor, the name and address of the vendor, and the date of purchase. Before using this book, every merchant and manufacturer shall serially number its pages in a permanent and legible manner and shall present it to the local internal revenue agent or officer for approval. Cash purchases as well as purchases made on credit shall be separately entered in this book within the same period as that required for entering sales in the book of sales. The book prescribed in this section shall be kept substantially in the following form:

JANUARY 1, 1923

Article	Quantity	Value or purchase price	Cash payment	Credit	Name and address of vendor.
Biscuits	1,000	P80.00	P50.00	P30.00	La Perla, No. 9 Plaza Santa Cruz.
Rubber tires	4	120.00	100.00	20.00	Pacific Commercial Company, Pacific Building.
Total		200.00	150.00	50.00	

SEC. 4. *Exemption from the use of internal revenue books.*—Any person or firm who keeps regular commercial books or account, in accordance with the standard system of accounting, reflecting all the data required for internal revenue tax purposes, are exempted from the requirements of these regulations.

SEC. 5. *Approval of books.*—The approval by internal revenue agent or officer of any book to be used for keping the record of sales or purchases as required in these regulations shall be evidenced by his indorsement on the inner side of the cover thereof in the following forms:

Approved for the purposes of Regulations No. 34 of the Department of Finance.

.....
Internal Revenue Officer.

Date.....

SEC. 6. *Books open to inspection of internal revenue officers.*—All the record books herein described, including regular commercial books of account, shall be kept at all times in the place of business of the taxpayer subject to inspection by any internal revenue officer and upon demand shall immediately be produced and submitted to such inspection. All entries in said books shall be made in ink in a neat and legible manner, and figures entered under all columns shall be added at the close of each month and the totals entered at the foot of the respective columns.

SEC. 7. *Effective date.*—These Regulations shall take effect upon their promulgation in the Official Gazette.

ALBERTO BARRETO,
Secretary of Finance.

THE GOVERNMENT OF THE PHILIPPINE ISLANDS

DEPARTMENT OF FINANCE

MANILA, *June 27, 1925*

Subject: Records of Sales to be Kept by Taxpayers Holding C-2, C-3, and C-4 Tax Receipts

REGULATIONS NO. 48[1]

To all internal revenue officers and others concerned:

SECTION 1. By authority of section 79 (*B*) and section 1424 (*j*) of the Administrative Code, both sections as amended, the following regulations, relative to the records to be kept by persons subject to the percentage tax under sections 1461, 1462, as amended by Act No. 3082, and 1463 of the Administrative Code, are hereby promulgated for the information and guidance of all concerned.

[1]Promulgated July 16, 1925, XXIII Off. Gaz., 85, page 1289.

SEC. 2. *Scope of regulations.*—Printers, publishers, lithographers; road, building, irrigation, artesian well, waterworks, and other construction work contractors; persons engaged in the installation of gas, or electric light, heat, or power; proprietors or operators of dockyards, telephone or telegraph lines or exchanges, broadcasting or wireless stations, steam laundries, dry cleaning or dyeing establishments, tailor shops, shops for the construction or repair of bicycles or vehicles of any kind, mechanical devices, instruments, apparatus, or furniture of any kind, sugar centrals, and rice mills; persons selling light, heat, or power; keepers of hotels, restaurants, cafés or refreshment parlors; warehousemen, stevedores, dressmakers, milliners, hatters, plumbers, smiths, house or sign painters, bookbinders; keepers of livery stables and garages, transportation contractors, persons who transport passengers or freight for hire, and common carriers by land or water, subject to the tax imposed in sections 1461, 1462, as amended by Act No. 3082, and 1463 of the Administrative Code, shall keep a record book in which they shall enter the daily aggregate amount of receipts that are less than P50 each, and each receipt that amounts to P50 or more, together with the name and address of each customer.

SEC. 3. *Book subject to prior approval.*—Before a record book is used for the purpose indicated in the preceding section, the pages must be serially numbered in a permanent and legible manner and the book itself presented to an internal revenue officer for approval. If he approves the book, the internal revenue officer shall make the following authentication on the reverse side of the front cover:

Approved for the purposes of Regulations No. ....., for use by ....., holder of C— .

(Name of taxpayer)

.....
Internal Revenue Officer

.....
(Date)

SEC. 4. *What and when entries to be made.*—In this book the daily receipts shall be entered under the corresponding date within the next day following that in which the money was received. If no money is received on any day then that fact shall be noted in the book within the same period under the corresponding date.

All entries shall be made in ink or indelible pencil in a neat and legible manner, and all columns shall be correctly added at the close of each month and the totals entered at the foot of the respective columns.

SEC. 5. *Persons exempt from keeping this book.*—Persons who keep regular commercial books of account containing all the data herein prescribed shall not be subject to these Regulations.

SEC. 6. *Disposition and care of book.*—The record book herein described, including regular commercial books of account, shall be preserved for a period of five years, and shall be kept at all times in the place of business of the taxpayer, subject to inspection by any internal revenue officer, and upon demand shall immediately be produced and submitted to such inspection. Every page shall be preserved intact, and none shall be torn off or mutilated for any reason.

SEC. 7. *Penalty for violation.*—Any violation or failure to comply with any of the provisions of these Regulations will subject the guilty person to prosecution under section 2741 of the Administrative Code, which provides punishment by a fine of not more than ₱300 or by imprisonment for not more than six months, or both.

SEC. 8. Circular Letter No. 467 and all other circulars, orders, and regulations in conflict herewith are hereby repealed.

SEC. 9. These Regulations shall take effect thirty days after their promulgation in the Official Gazette.

MIGUEL UNSON,
Acting Secretary of Finance.

PAUL SHIPMAN ANDREWS,
Special Assistant to the Attorney General.

GUILLERMO B. GUEVARA,
Prosecuting Attorney for the City of Manila.

A. R. STALLINGS,
Lieut. Col., Judge Advocate.

CHARLES R. BRICE,
Capt., C. A. C.

GREGORY HANKIN,
Special Assistant to the Attorney General.

STANLEY SUYDAM,
Attorney.